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LAW OFFICES

KELLER AND HECKMAN

1001 G STREET, N.W.
SUITE 500 WEST
WASHINGTON, D.C. 20001
TELEPHONE (202) 434-4100
TELEX 49 95551 "KELMAN"
TELECOPIER (202) 434-4646

BOULEVARD LOUIS SCHMIDT 87
B-1040 BRUSSELS
TELEPHONE 32(2) 732 52 80
TELECOPIER 32(2) 732 53 92

JOSEPH E. KELLER
JEROME H. HECKMAN
WILLIAM H. BORGHESE, JR.
MALCOLM D. MACARTHUR
WAYNE V. BLACK
TERRENCE D. JONES
MARTIN W. BERCOVICI
JOHN S. ELDRED
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HOLLY HUTMIRE FOLEY
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JANETTE HOUK, Ph. D.
LESTER BORODINSKY, Ph. D.

TELECOMMUNICATIONS
ENGINEER
CHARLES F. TURNER

*NOT ADMITTED IN D.C.
*RESIDENT BRUSSELS

WRITER'S DIRECT DIAL NUMBER

August 23, 1994

RECEIVED (202) 434-4136

AUG 23 1994

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VIA HAND DELIVERY

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: FCC GEN Docket No. 93-252, Regulatory
Treatment of Mobile Services; Ex Parte
Presentation

Dear Mr. Caton:

This is to notify the Office of the Secretary that Carole C. Harris and Tamara Y. Davis of Keller and Heckman, along with their client, Mark Weismantel of East River Electric Power Cooperative met with the following individuals today to discuss East River's position in the above-referenced docket regarding the freeze on 800 MHz Specialized Mobile Radio (SMR) applications:

Jill Lockett, Special Advisor to Commissioner Chong
David Siddall, Legal Advisor to Commissioner Ness
Lisa Smith, Legal Advisor to Commissioner Barrett
Edward Jacobs, Deputy Chief, Land Mobile and Microwave
Division, Private Radio Bureau
Martin Leibman, Deputy Chief, Rules Branch, Private Radio
Bureau

Specifically, East River discussed the inequitable impact that it will encounter from the possible freeze on pending SMR and General Category applications.

We left with each of the above-mentioned individuals: (1) a pamphlet which describes East River, (2) a map and budget of the East River's proposed 800 MHz SMR system, (3) the 1993 Annual

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Mr. William F. Caton
August 23, 1994
Page 2

KELLER AND HECKMAN

Report for East River and (4) the July 1994 "Facts and Figures" document concerning East River's telecommunications and control system, all of which are attached hereto.

In accordance with the Commission's rules, we are providing the above-mentioned individuals with a copy of this letter and request that this letter and its attachments be included in the record in the above-referenced proceeding.

Very truly yours,

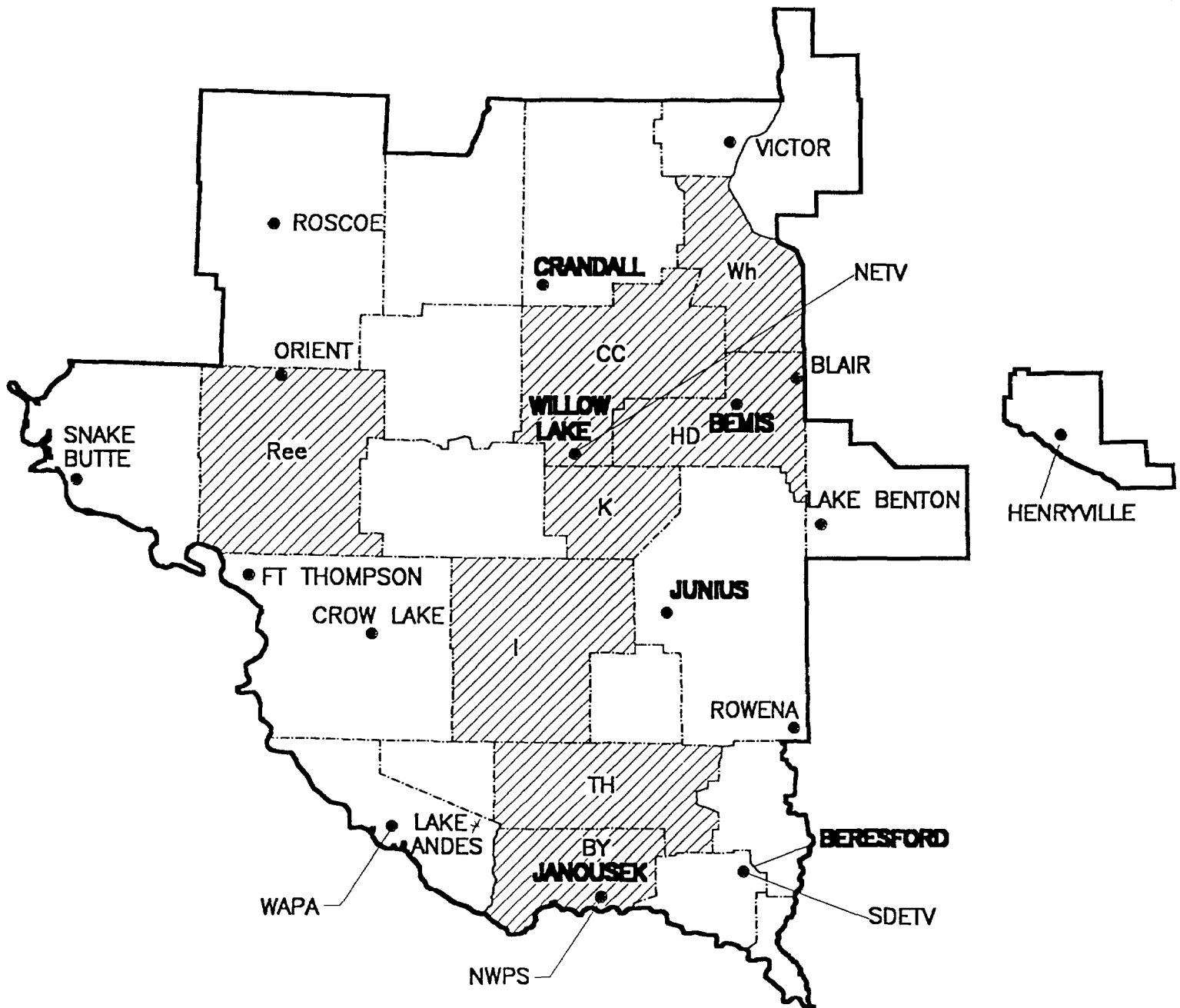
A handwritten signature in black ink, appearing to read 'Carole C. Harris', with a long, sweeping horizontal line extending to the right.

Carole C. Harris

Attachments

cc: Jill Lockett
David Siddall
Lisa Smith
Edward Jacobs
Martin Leibman

EAST RIVER ELECTRIC POWER COOP., INC. 800MHz VOICE RADIO SYSTEM



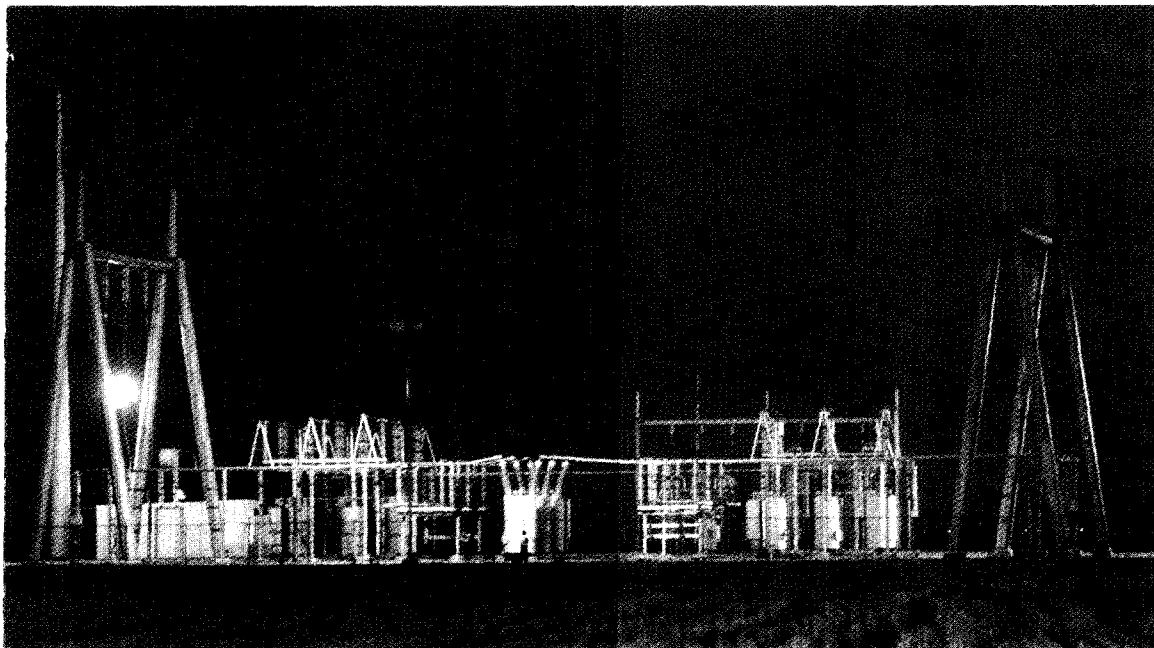
800 MHz Wide Area *Trunked* Radio System
Comparison of Proposed Budget vs. Bids & Revised Estimates

		<u>1993 Budget Document</u>	<u>Estimated East River Only (7-1-93)</u>	<u>Estimated Eight Member Systems (7-1-93)</u>
1.	FCC Permits	\$ 10,000	\$ 10,000	\$ 10,000
2.	Tower Engineering	10,000	23,000(1)	23,000(1)
3.	New Tower - Junius	116,000	116,000(1)	116,000(1)
4.	Tower Upgrades & Antenna Installation	40,000	40,000(3)	40,000(3)
5.	Generators (installed cost)	164,000	165,500(1)(2)(3)	165,500(1)(2)(3)
6.	Buildings East River Building Installation	349,500	158,000	158,000
7.	Microwave and Multiplex East River Installation	220,000	177,000(3)	197,000(3)
8.	East River Engineering	10,000	50,000(3)	50,000(3)
9.	Voice Radio Equipment (adjusted Motorola with UPS procure under separate contract)	1,701,000	1,808,000	1,888,000
10.	East River Operations Center, Repeater & Mobile Installation	250,000	200,000(3)	200,000(3)
	Sub-Total	\$2,870,500	\$2,747,000	\$2,847,000
	Bon Homme-Yankton Site Relocation (East River Half)	<u>N/A</u>	<u>N/A</u>	<u>16,200</u>
	Total	\$2,870,500	\$2,747,000	\$2,863,200

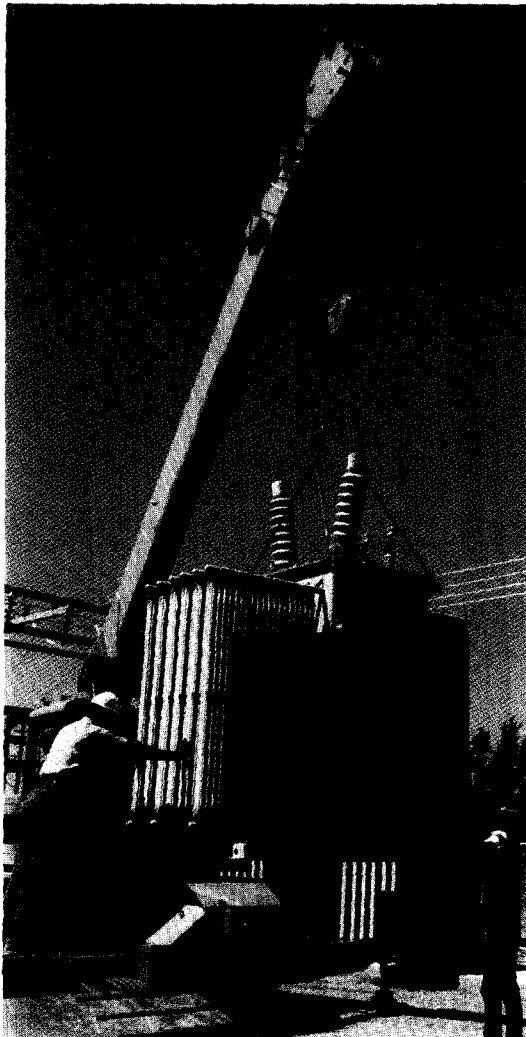
(1)Bid Price

(2)Electric Plant

(3)Investigating Alternate Procurement or Other Cost Reductions



Cooperating To Be Competitive.

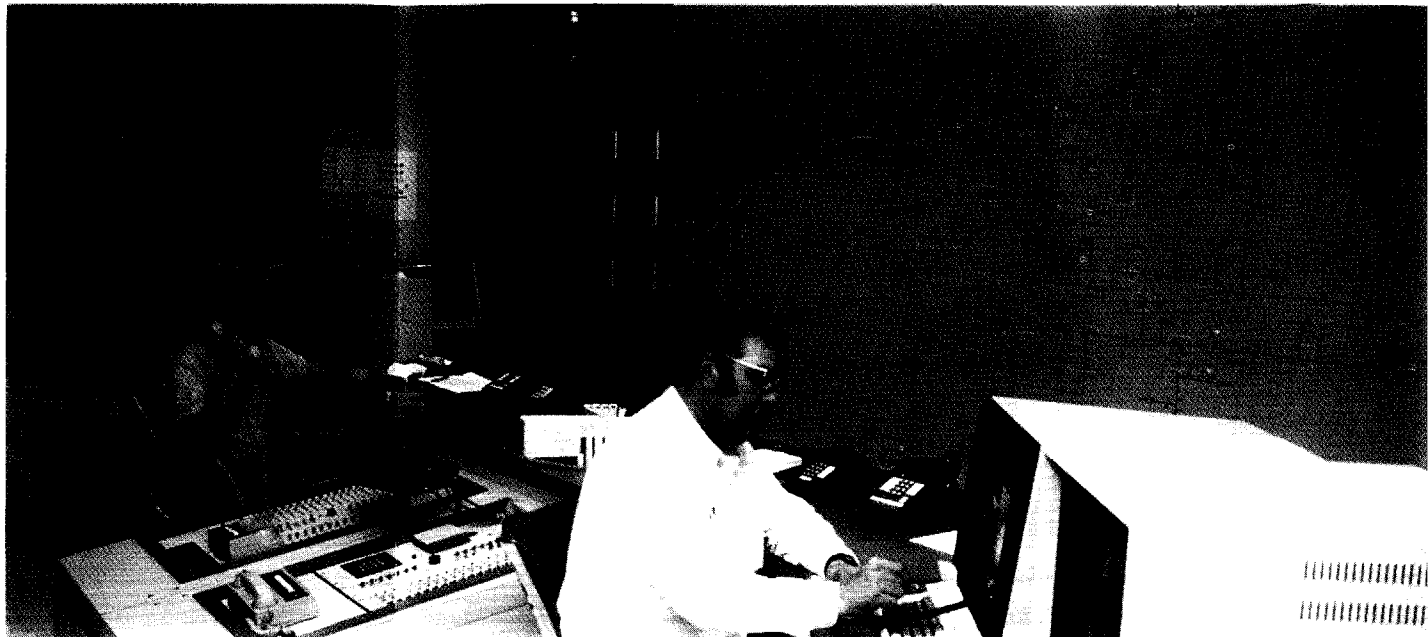
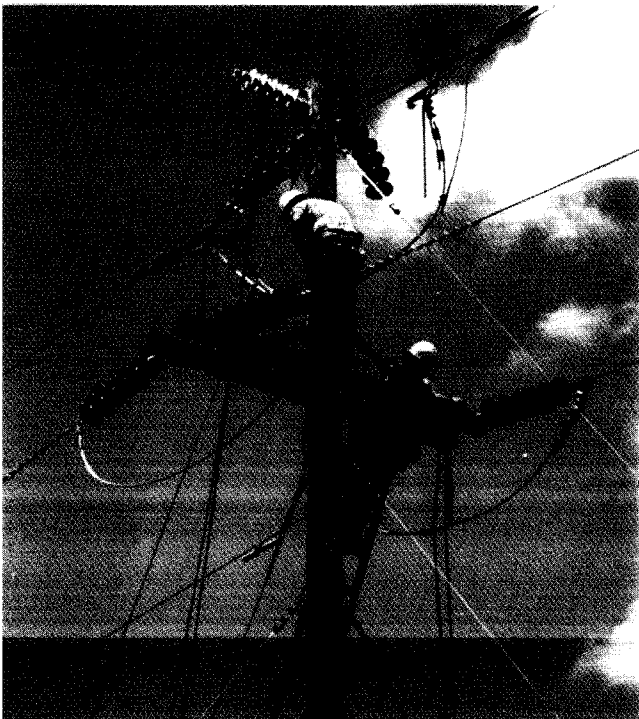


East River Electric Power Cooperative, headquartered in Madison, South Dakota, is the wholesale electric power supply and transmission cooperative serving 25 member cooperative systems and one municipal electric system in eastern South Dakota and western Minnesota.

These member distribution systems, in turn, serve more than 70,000 rural service accounts and approximately 250,000 people with retail electric service.

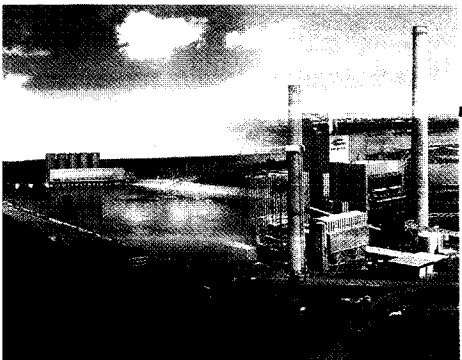
Organized in 1949, East River operates and maintains more than 2,500 miles of high voltage transmission line and 200 substations serving an area of 36,000 square miles, about the same size as the state of Indiana.

Besides its headquarters, East River's facilities in Madison include the 24-hour dispatch-operations center, vehicle service center, voltage regulator maintenance shop, storage and handling facility for PCB contaminated oil, and warehouse/storage yard for electric equipment. East River also has maintenance crews and facilities located at Onida, Aberdeen, Huron, Milbank, Mitchell and Beresford in South Dakota as well as Marshall, Minnesota.

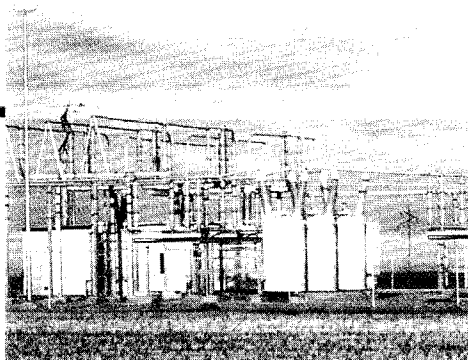


Dispatchers at East River's Operations/Dispatch Center in Madison, South Dakota, operate the Cooperative's extensive electric transmission system of substations and lines illustrated by the photos at top and left.

POWER SUPPLY: What's Behind The Switch?



Missouri River hydroplants and Basin Electric coal-fired power plants generate the electricity.



Joint Transmission System and East River Electric transmission facilities deliver the power throughout the region.



Distribution systems deliver power at retail to consumers with overhead and underground lines.



Consumers use electricity for home, farm, and industrial purposes.

East River Electric Power Cooperative purchases about 50 percent of its total power supply from the Western Area Power Administration which markets the federal hydropower produced at the Missouri River dams. The balance of its power supply comes from Basin Electric Power Cooperative. For the past 25 years, the federal hydroelectric facilities and the thermal (coal-fired) Basin Electric generating plants have been operated as a coordinated system which maximizes

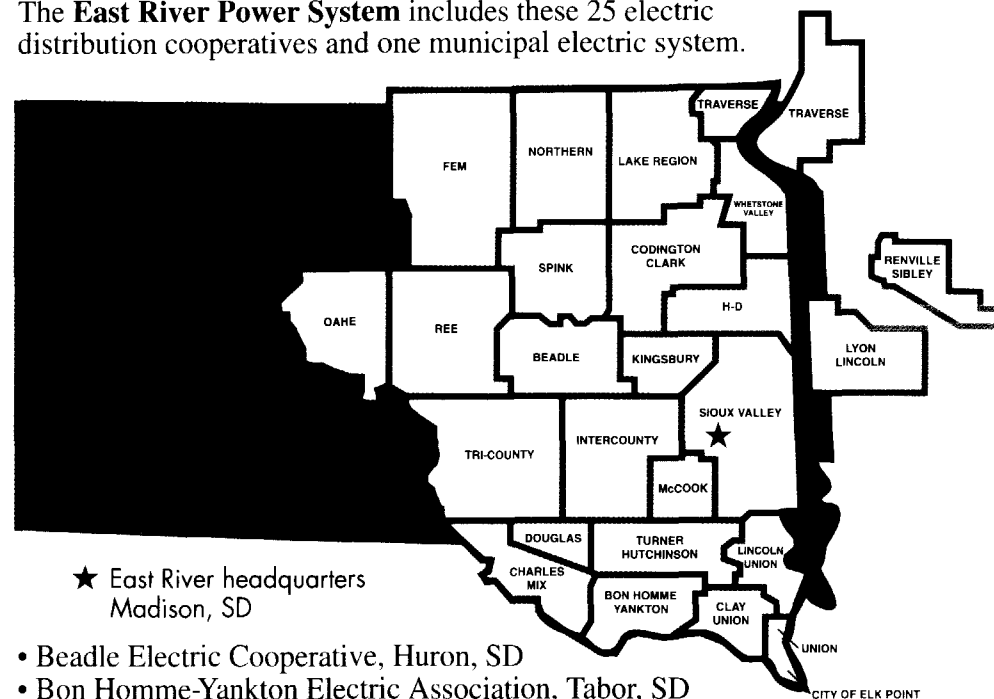
the capacity and operating efficiencies of the two systems.

The power is distributed to East River Electric and throughout the Missouri River Basin over an extensive high voltage transmission system called the Joint Transmission System (JTS). East River delivers this power over its transmission system throughout eastern South Dakota and western Minnesota to its member distribution systems.

East River Electric Power Cooperative

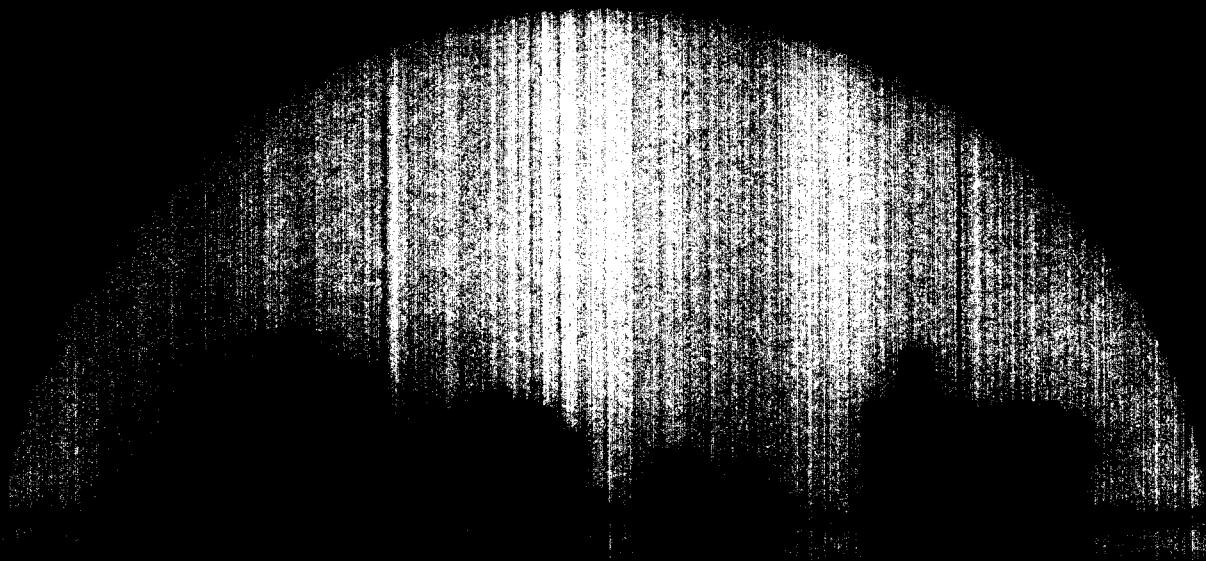
- Has annual revenues of more than \$60 million and pays \$1.7 million each year in taxes to support local, state and federal purposes.
- Employs 100 full-time persons who work in Management, Administration, Operations and Member Services functions.
- Operates a load management system covering the largest geographic area of any similar installation in the United States.
More than 40,000 electric devices including water heaters, heating and air conditioning systems, irrigation, crop drying systems and other electric loads are connected to the load management system. Use of the load management system has enabled cooperative members to use electricity at reduced "off-peak" rates and helped East River avoid more than \$38 million in additional wholesale power costs since 1984.
- Is governed by a 26-member board of directors, one representative from each member system.
- Uses excess capacity in its transmission system to deliver wholesale power to 24 municipal electric systems and other customers in South Dakota, Minnesota and Iowa.
- Has invested over \$100 million in eastern South Dakota and western Minnesota to provide reliable wholesale electric service.
- Returned non-profit earnings to member systems totaling more than \$6 million.

The **East River Power System** includes these 25 electric distribution cooperatives and one municipal electric system.



- Beadle Electric Cooperative, Huron, SD
- Bon Homme-Yankton Electric Association, Tabor, SD
- Charles Mix Electric Association, Lake Andes, SD
- Clay-Union Electric Corporation, Vermillion, SD
- Codington-Clark Electric Cooperative, Watertown, SD
- Douglas Electric Cooperative, Armour, SD
- FEM Electric Association, Ipswich, SD
- H-D Electric Cooperative, Clear Lake, SD
- Intercounty Electric Association, Mitchell, SD
- Kingsbury Electric Cooperative, DeSmet, SD
- Lake Region Electric Association, Webster, SD
- Lincoln-Union Electric Company, Alcester, SD
- Lyon-Lincoln Electric Cooperative, Tyler, MN
- McCook Electric Cooperative, Salem, SD
- Northern Electric Cooperative, Bath, SD
- Oahe Electric Cooperative, Blunt, SD
- Ree Electric Cooperative, Miller, SD
- Renville-Sibley Cooperative Power Association, Danube, MN
- Sioux Valley Empire Electric Association, Colman, SD
- Spink Electric Cooperative, Redfield, SD
- Traverse Electric Cooperative, Wheaton, MN
- Tri-County Electric Association, Plankinton, SD
- Turner-Hutchinson Electric Cooperative, Marion, SD
- Union County Electric Cooperative, Elk Point, SD
- Whetstone Valley Electric Cooperative, Milbank, SD
- City of Elk Point, Elk Point, SD

ERA OF CHANGE



F O R R U R A L A M E R I C A



ANNUAL REPORT 1993

East River Statistics

East River Electric Power Cooperative, headquartered in Madison, South Dakota, is a wholesale transmission cooperative serving 26 member distribution systems in South Dakota and western Minnesota.

East River's 26 member systems, in turn, serve about 70,000 rural accounts and 250,000 people with retail electric service. East River's service area covers approximately 36,000 square miles, about the size of the State of Indiana.

1992 Statistics:

Total Assets---

\$111 million

Total Revenues---

\$57 million

Total sales to members---

1.37 billion kilowatt-hours

Seasonal peak demand sales---

268 megawatts (winter)

212 megawatts (summer)

Average rate to member systems--

40.67 mills / kilowatt-hour

Dedication

Friday, December 18, 1992, and Monday, April 19, 1993, were tragic days for the people of this region when airplane crashes in Montana and Iowa took the lives of 16 people who worked for the Western Area Power Administration, the State of South Dakota and major businesses in this area.

The December 18 crash near the Billings, Montana, airport took the lives of six employees of the Western Area Power Administration and two pilots. They were returning to Billings following a customer meeting with East River Electric Power Cooperative in Madison. The Western employees who died in that crash included Gary Miller, Dept. Area Manager; Richard Schirk, Assistant Area Manager for Power Marketing; Dale Corey, Director of the Division of Market Studies, Rates, and Resources; Magdalene Tafuya, EEO Specialist; Robert Nerameier, Computer Specialist; Tracy Erger, contract employee with Western and pilots Curt Schwartz and Dan Arnold.

The April 19 crash near Dubuque, Iowa, claimed the lives of South Dakota Governor George Mickelson; state officials, Ron Feed and Roland Dolly; Sioux Falls businessmen and economic development leaders, David Birkeland, Roger Hainje and Angus Anson; and state pilots Ron Becker and David Hansen.

These people influenced the lives of all of us in countless ways. They were leaders, co-workers and friends as we labored together to further the federal power program and pursue economic development programs to benefit this region.

To their memory and in tribute to the contributions which each of them made, East River Electric Power Cooperative hereby dedicates this 1993 Annual Report.

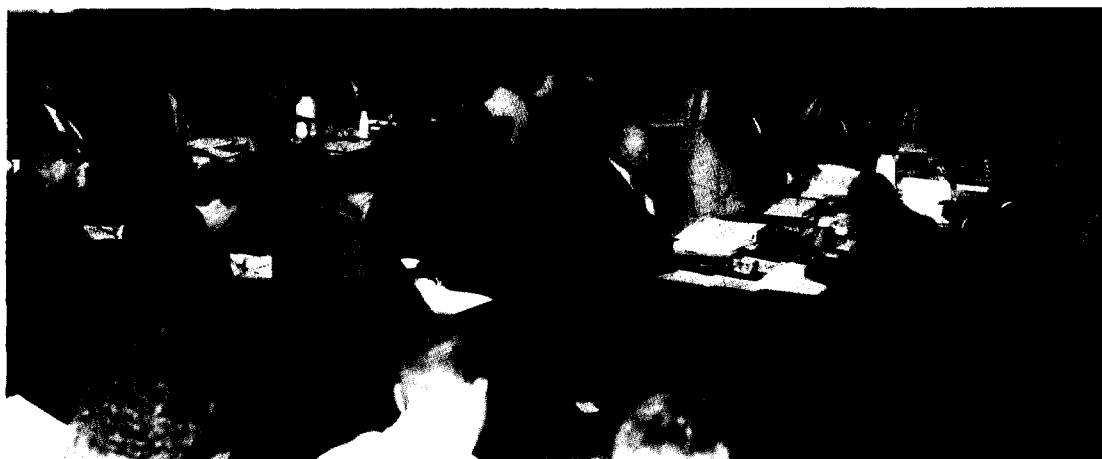
Board of Directors



Members of the East River Board of Directors and the system they represent are: (seated from left) Robert Ching, H-D, treasurer; Wayne Wright, Spink, vice president; Edward Fritzsche, Beadle, president; Keith Kleppin, Tri-County, secretary; Wallace Johnson, Charles Mix, assistant secretary.

Standing, first row (l-r): Dale Engelhart, Northern; Bernell Peterson, Clay-Union; Ralph Kent, Renville-Sibley; Robert Ruml, Intercounty; Virgil Fodness, Lincoln-Union; Charles Olsen, Turner-Hutchinson; Dayle Swift, Lyon-Lincoln; Harris Davis, Sioux Valley; Paul Fink, Douglas; Harold Murray, Traverse and Ted Albright, Oahe.

Standing, back row (l-r): Lynn Behrns, Whetstone; Robert Schwandt, Codington-Clark; Richard Dailey, Union; Elmer Weerts, Kingsbury; Michael Healy, McCook; Donald Stewart, Bon Homme-Yankton; George Hargens, Ree; Kermit Pearson, Lake Region and Gordon Petersen, FEM. Not pictured is Dallas Harkness from the City of Elk Point.



Report of the President and General Manager

There is nothing permanent except change. --- Heraclitus, Greek philosopher, circa 500 BC

Rural America is changing. This is not a new dynamic or a circumstance limited to rural America. Certainly the rural electric cooperative systems in eastern South Dakota and western Minnesota served wholesale power by East River Electric can attest to the continuing era of change occurring in our area.

For East River and its members, the challenge is how we will best position our organizations to seize the opportunities that are inherent with the continuing changes confronting us.

This Annual Report provides a contrast. On one hand, it describes strong evidence of stability. For example, many of the traditional measurements of the utility business, namely, financial security, rate stability, service reliability, employee performance levels and sales were solid during the last year. These measurements are good news for which we take pride as an organization.

At the same time, however, these achievements must be examined within the context of the significant changes which surround us. Nationally, the political posture has changed, generating intense debate about the Federal, and to a lesser degree, the state and local government role in furnishing resources. For rural electric systems this means tough choices about future financing needs and consideration of significant changes in the fu-

ture role of the Rural Electrification Administration. These changes will affect the REA's lending programs and perhaps provide access to expanded service opportunities. East River continues to be keenly interested in and active in helping to mold these changes to secure future access to financing at competitive rates and to take advantage of opportunities for providing expanded services.

Within the region, the dynamics of change continue to influence the future of power supply. East

River relies on the Missouri River for about one half of the power supply it acquires for member systems. We have spent much time during the last year working directly and through Mid-West Electric Consumers Association to define the future of this resource after current contracts for this portion of our power supply with the Western Area Power Administration expire in 2000.

Changing attitudes about environmental considerations, expanded planning requirements
(Continued next page)



Edward Fritzsche, left, Wessington, SD, has served on the East River Board for 22 years. He was Vice President for nine years and has served as President for four years.

Jeffrey L. Nelson, right, has worked for East River in management positions for 19 years. He holds a degree in electrical engineering and was named General Manager in 1990.

Report of the President and General Manager

and constituency pressures from all sides offer key challenges in successfully securing a future contract. After six years of drought, the generally overabundant water of 1993 offers one positive change by bringing rising reservoir levels. With the cost of bulk wholesale hydropower having doubled in price since 1988, the prospect of average water and moderating increases in future costs from this resource would be welcome.

To its credit, Basin Electric has played a major role in offsetting the bulk wholesale cost of Federal hydropower experienced during the last several years. Basin continues to furnish all of the supplemental power supply East River acquires for its members. Through aggressive mar-

keting and efficient operation of its thermal generating resources, and skillful management of its subsidiary operations, Basin Electric has reduced its bulk wholesale power rates, thus contributing to East River's ability to maintain level wholesale rates to members. We are confident in Basin Electric's ability to provide a future source of secure, competitively priced bulk power supply well into the 21st century.

As a whole, East River continues to deliver reliable wholesale power supply at stable rate levels. Yet change continues. For example, since our last report to you three members of East River's Board have changed--over 10 percent. Despite such change, the Board continues to give high priority and careful attention to

the policy matters important to the membership in areas of providing service, future financing and pursuing organizational changes which may improve our competitive options.

Changes in East River's workforce have been significant as well. Since our last Annual Report, three senior supervisors with a total of 97 years of experience retired. Notice has been given that early next year three more long term employees, two from the management group, will retire with 90 years of experience. These retirements and pending retirements have prompted some organizational changes designed to improve the efficiency of East River's opera-

(Continued next page)

MANAGEMENT STAFF

Members of East River's management staff are: (standing from left) Don Marker, Assistant General Manager for Administration; Everett Quam, Assistant General Manager for Operations and Scott Parsley, Assistant General Manager for Member Services.

Seated are Royce Hueners, Assistant to the General Manager and Liz Tolley, Administrative Assistant.



tion while still delivering quality service.

A special source of pride is the commitment to safety in the workplace achieved by East River employees. The National Safety Council, among others, recognized this accomplishment at the end of 1992 by presenting the Award of Commendation for having worked 262,326 hours without a lost work time injury or accident. This achievement offers assurance as to the high quality and productiveness of East River's work force despite the continuing dynamics of personnel changes.

East River remains committed to being responsive to and maintaining a strong working relationship with member systems. Especially during times of change we believe such a partnership is essential and we will work hard to maintain and enhance communication with members. Both management and the Board place a high priority on this fundamental strength.

In summary, we believe East River remains a strong organization in all respects. At the same time, we recognize the ever changing circumstances within our service area and elsewhere demand our full and thoughtful attention if we are to remain viable and adapt to these changes in a positive way. The era of change which we are now experiencing is not new but challenges us to embrace such dynamics if we are to continue our proud tradition of successful operation.

While change is certain, progress is optional--the choice is ours.

Management Report

Era of Change For Rural America

In reviewing East River's activities over the past year, we find that these are changing times for rural America as well as for East River and its member systems.

We face many unique challenges, both here in East River's service area as well as the nation, as we fine tune our operations and plan for the future to meet the power and energy needs of our members.

The Year of the Flood

This year we have experienced some of the wettest, stormiest weather in the past century in the upper midwest and throughout the East River service area of eastern South Dakota and western Minnesota. As a result, tens of thousands of acres of cropland did not get planted and virtually every county in eastern South Dakota and many in western Minnesota have been declared federal disaster areas. Officials project that crop losses alone in South Dakota will top \$750-million this year.

Our rural consumers, as well, have faced losses of livestock, buildings, machinery and other property from tornadoes and high winds as well as the flooding through the summer. 1993 will likely be remembered as a year of hardship. The long term economic impact of these conditions will be felt for months and years to come as people struggle to recoup their losses and reorganize their lives.

Opportunities for growth

In spite of the weather-related hardships there are some bright spots in the picture for the East River service area.

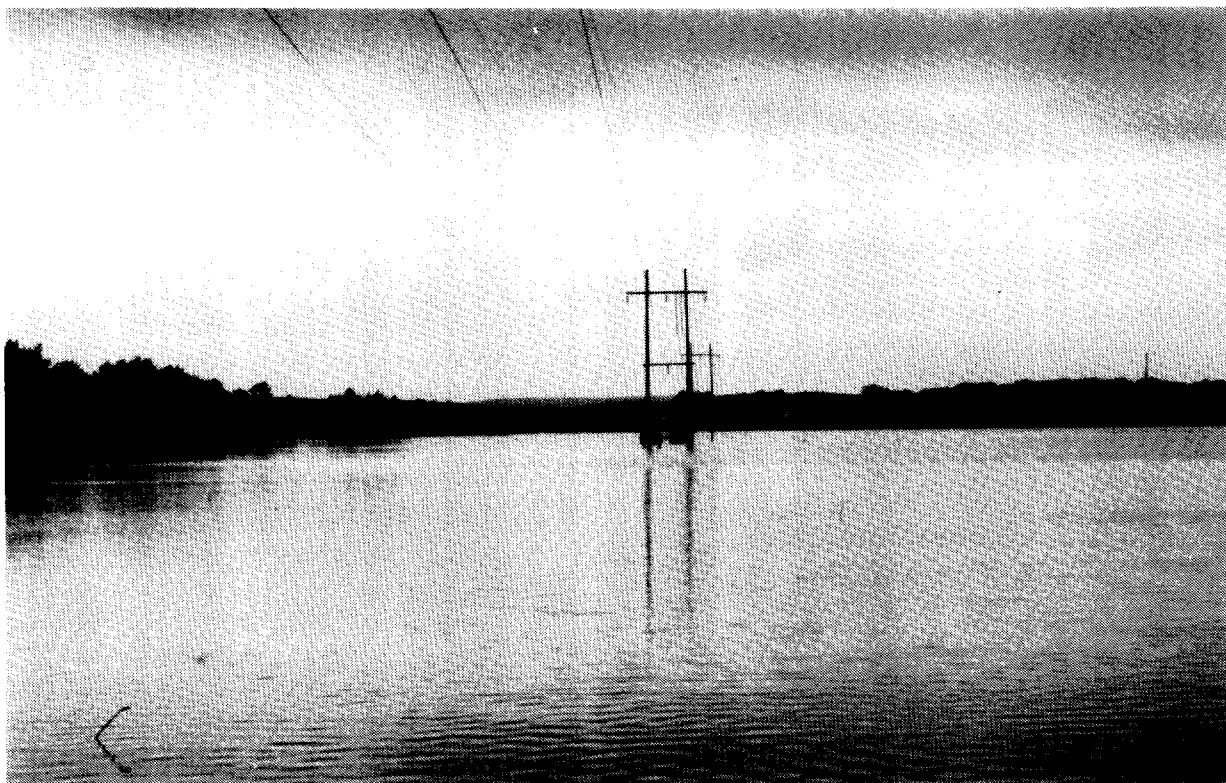
In Minnesota, East River is constructing new substations and transmission lines to meet the growing needs of Traverse Electric Cooperative and Renville-Sibley Cooperative Power Association.

The Bon Homme-Yankton Electric and Charles Mix Electric areas along the Missouri River are experiencing some growth in recreation and tourism development.

The growth areas around Aberdeen and Sioux Falls are having a positive growth impact for Northern Electric, Lincoln-Union Electric and Sioux Valley Electric. East River is planning new transmission and substation facilities in the Lincoln-Union and Charles Mix areas to serve these growing needs.

In an energy related development, East River has initiated a major study on the potential for diversification into natural gas service.

1993 will be remembered as the year of the flood which wreaked havoc and caused billions in damage throughout the Missouri Basin and Mississippi River regions.



Key performance areas

East River experienced a good year of operation in 1992, evidenced by some of these highlights.

* **Energy sales of 1.37 billion kilowatt-hours were down slightly from 1991's all-time record 1.47 billion kilowatt-hour sales.** This small reduction in sales was largely due to mild winter temperatures which reduced heating needs and the cool, wet summer which reduced air conditioning and irrigation loads.

* **East River maintained its seventh year of relative rate stability.** The revenue required from members was 40.67 mills/kilowatt-hour for 1992. Since 1986, East River's wholesale rate has averaged between 40 and 42.1 mills/kilowatt-hour.

* **The effective operation of the load management system** continues to be a major factor in East River's ability to hold the line on wholesale power costs with more than \$38-million in wholesale power costs avoided since 1984 with the load management system.

* **The marketing program** using cash rebates and low interest loans is another key contributor to maintaining energy sales with installation of electric heating and crop drying systems continuing at record levels over previous years.

* **East River's safety record** received national recognition and this safe work record continues. A

major rewrite of East River's safety manual was completed.

* **All key financial ratios such as Times Interest Earned Ratio (TIER) and Debt Service Coverage (DSC) were met or exceeded** according to REA requirements.

* **East River continues the 'life extension' program** involving refurbishing and extending the life of East River's utility plant to minimize the need for new transmission facilities.

* **A 'management to management' program was begun** with visits to member systems to maintain and continue to enhance East River's relationship with its members.

* **After delays by REA of two and one-half years,** East River completed all requirements for the \$4.1 million U6 loan for 1991-92 electric plant construction and made application to REA for the \$4.8 million V6 loan for 1993-95 new construction.

* **Wholesale power contracts were amended with member systems** extending the contract term 20 years and incorporating language protecting all East River members in the event of an individual member buyout or sellout. These changes generally were mandated by REA as conditions of the U6 loan approval.

Wholesale Power Issues--

Western Area Power Administration

East River purchases approximately 50 percent of its wholesale power requirements from the Western Area Power Administration. Our firm hydropower contract with Western currently provides for 1.4 million kilowatt-months and 725,000 megawatt-hours annually through the year 2000. This contract provides a maximum delivery during the winter months of 144.3 megawatts and 121.5 megawatts for the summer.

With the increase of 0.91 of a mill per kilowatt-hour in October, 1992, East River's average price for federal hydropower in 1993 will average 11.5 mills per kilowatt-hour, almost double the cost in 1988.

Western was scheduled to implement a 1.15 mills per kilowatt-hour increase in October of 1993 followed by a 0.92 mills per kilowatt-hour increase in 1994. In June, we learned that the Department of Energy had not signed off on the increase. In early July, Western finally published its two-year rate proposal with the first step to be effective in February, 1994.

The delay will yield a windfall of about \$175,000 to East River in 1993 operations since the increase was budgeted for this year. However, we anticipate that Western will adjust its rates accordingly in 1995 to make up for this loss of revenue.

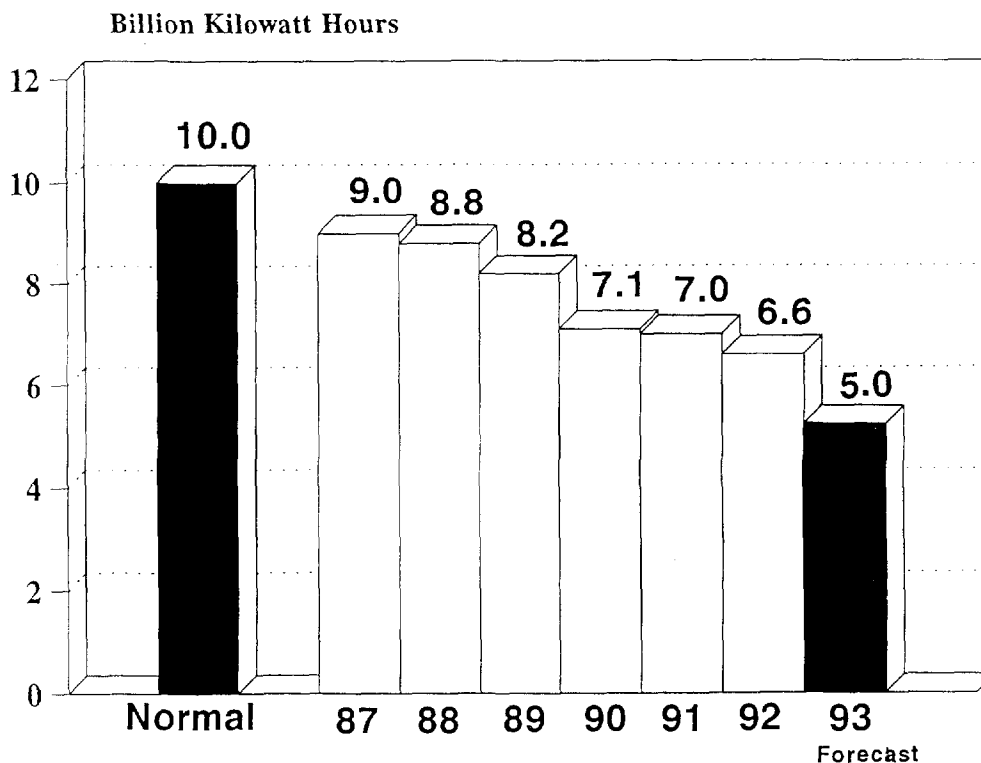
Basin Electric Power Cooperative

Looking at the other half of East River's power supply from Basin Electric Power Cooperative, there is some very encouraging news to report. 1992 was an excellent year of operation for Basin Electric's coal-fired power plants and 1993 also looks to be very good.

The successful marketing of Basin's surplus power continues to enhance revenues and improve the Cooperative's overall financial condition. The reduction in Basin's wholesale rates in 1992 and the recommended Board action for further reductions in 1993 are welcome news to all Basin members as we struggle to offset the impact of rising rates for federal hydropower.

While reducing rates to members must remain Basin's top priority if revenues permit, the issue of windfall earnings is a matter of ongoing concern to East River and other Class A Basin members. East River has worked during the year with the East River and Basin Managers' advisory groups to strongly encourage Basin Electric's management and Board to make a clear policy commitment to Class A members to return windfall revenues in excess of budgeted margins in the year in which these revenues are collected.

Main Stem System Generation



Hydropower generation from the Missouri River mainstem dams will reach record low levels in 1993, due to reduced releases from the upstream reservoirs to alleviate downstream flood conditions on the Missouri and Mississippi Rivers.



Two long-time East River department managers have announced their retirement early in 1994. Joe Halverson, left, Manager of the Transmission Operations Department, has worked for East River for more than 40 years, the longest of any employee of the Cooperative. Royce Hueners, right, former Manager of Finance and Accounting, and currently Assistant to the General Manager, will retire with 25 years of service to East River.



General Manager Jeff Nelson, center, looks over two East River safety awards with Don Hook, left, Job Safety Training Coordinator and Paul Lambert, right, chairman of the East River Safety Committee. The awards from the Minnesota Safety Council and the National Safety Council recognize East River's excellent safety record over the past two years.

East River Reorganization

In June, several changes in management assignments and organizational structure were announced.

Royce Hueners was promoted to Assistant to the General Manager until his retirement in 1994. Royce was given the principal responsibility for the coordination of the natural gas diversification study.

The position of Manager of Finance and Accounting, formerly held by Royce, was eliminated and a new Budget Services Section was created in the Finance and Accounting Department. Randy Hoffman was named supervisor of this section which has the primary responsibilities for budgeting, rate planning, power requirements studies and statistical analysis. As a result of this change, one department manager and three section supervisors report directly to Don Marker, Assistant General Manager for Administration.

A reorganization of the Operations Division was also announced in June due to the announced retirement of Joe Halverson, Manager of Transmission in January, 1994. This reorganization includes the realignment of three departments into two departments and involves the reassignment of two existing department managers.

Leo Becht will become Manager of the Transmission Department next January upon Joe's retirement. The Substation and Construction Department will be eliminated as a 'stand alone' department with the construction function being transferred to the Transmission Department.

The substation maintenance and PCB sections will be reassigned to the Dispatch, Metering-Relaying Department with George Colombe as manager of this enlarged department. On July 1, a transition phase of this reorganization was implemented to permit Leo Becht and George Colombe to familiarize themselves with their new duties.

Safety Record

East River employees continue to maintain an excellent safety record. As of August 27, 1993, East River employees had worked 731 days and more than 396,000 hours without any lost workdays due to accidents or injuries on the job.

The Cooperative received two awards for its outstanding safety record this year. The National Safety Council's Award of Commendation recognized East River's safe work record during the period of August, 1991 through December of 1992 and the Minnesota Safety Council's 1992 Meritorious Service Award was given to East River for its outstanding accident prevention performance in occupational safety.

System Operations

At the end of 1992, East River had invested more than \$102 million in utility plant consisting of 2,540 miles of high voltage transmission line, 200 substations and microwave communications, supervisory control, load management and related facilities to furnish transmission service to member systems.

East River is continuing the 'life extension' pole treatment program on the oldest portions of transmission line built between 1950 and 1962. This is the fourth year for this program using the services of a private contractor. This year about 4,000 poles will be inspected and treated. During 1992, we found that about four percent of the 4,000 poles inspected required replacement. Since 1990 we have inspected and treated 15,000 poles as part of this ongoing program.

This program has enabled the Cooperative to make system improvements in a cost-efficient manner since pole inspection and bandaging treatment costs about \$26 per pole to extend the life of that pole for about 15 years. This compares to costs of about \$2,000 for labor and materials to replace a new transmission pole.

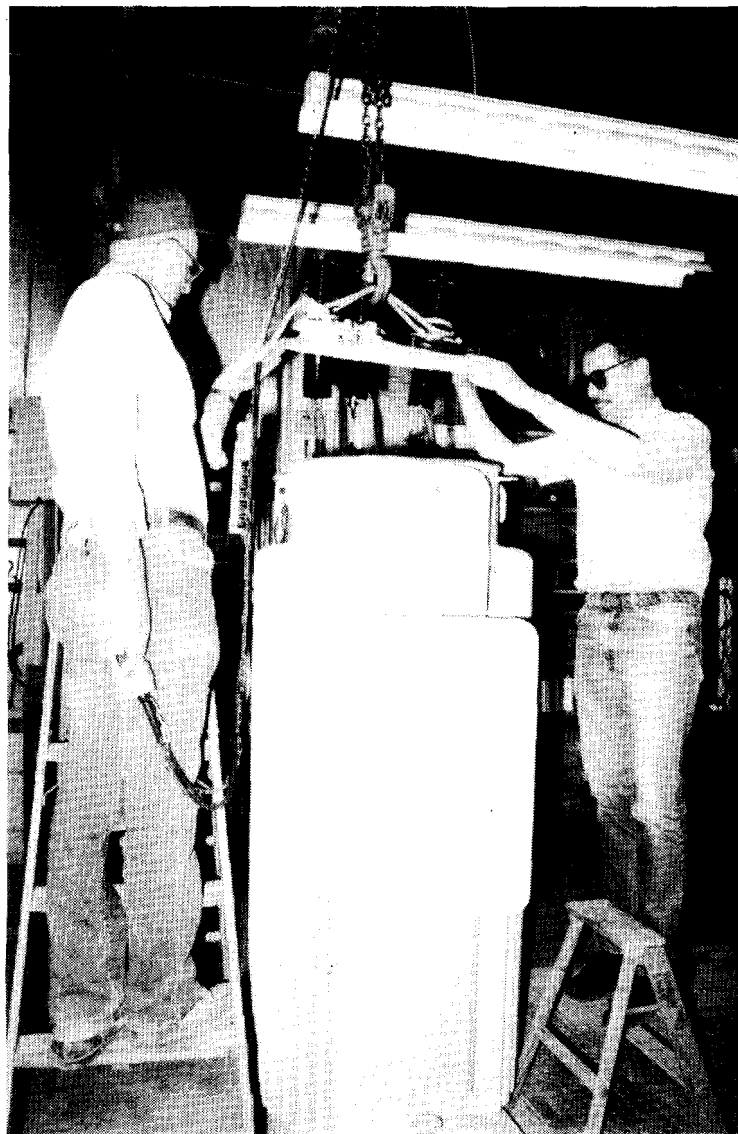
New construction on the East River system during 1993 includes the Wendell Substation and five mile transmission tap for Traverse Electric Cooperative. This facility replaces the old Wendell Substation, one of Traverse's original substations, and will be more centrally located to serve the loads in this part of the Traverse system.

In the Renville-Sibley area, a new substation and tap is to be built later this year near Redwood Falls, Minnesota, to serve the expanding Central Bi-Products plant.

Preliminary work has also begun on the new Sioux Falls Substation located on the south edge of Sioux Falls to meet growing needs of Lincoln-Union Electric in this area. We are also planning for a new substation for the Charles Mix area to meet growing loads in the Wagner and Pickstown areas. Both of these projects will be completed in 1994.

In addition to these new construction projects, East River will also complete substation remodeling at Clear Lake, Dempster and Harrison, upgrade fences at four substations, rotate regulators in 40 substations, install six new meter buildings and foundations and replace regulators at four substations.

Work continues on the program to remove PCB contaminated oil from all electrical equipment on East River's system. During 1992, more than 31,000 gallons of PCB contaminated oil under 500 parts per million were processed through East River's Annex III facility in Madison which meets or exceeds all state and federal regulations for



John Cassutt, left, Substation Mechanic, and Ron Hoeft, Substation Equipment and PCB Foreman, service a voltage regulator at East River's maintenance facility in Madison.

handling and storage of the oil. Of this amount, 20,000 gallons were from East River's facilities with the balance coming from East River's member systems and other cooperatives in the state.

The PCB oil is received and stored at the Annex III and periodic shipments are made to the Otter Tail Power Big Stone generating plant near Milbank where the oil is unloaded and immediately destroyed by burning in the power plant.

This method of storing and handling PCB oil is much more cost effective and convenient for East River and its members over shipping the contaminated oil to disposal facilities in other states. Since this program was initiated in 1987, more than 140,000 gallons of PCB contaminated oil have been received and destroyed.

Voice Radio System

The design and engineering of the new 800 mega-Hertz voice radio system has been the major project for the Telecommunications Department over the past year. We completed the system design, development of specifications and proceeded to take bids for equipment in June of 1993. Bids were received from three vendors and evaluated in July. Bids for the \$2.87 million project were generally within budget.

Following the bid analysis, Ericsson-GE of Lynchburg, VA, was chosen as the supplier for the equipment portion of this system.

In addition to meeting the needs of East River, eight member systems are joining in the use of the new radio system. These systems include Bon Homme-Yankton, Whetstone, Codington-Clark, H-D, Intercounty, Ree, Turner-Hutchinson and Kingsbury. We have incorporated the desired features of each of these cooperatives into the system to reduce overall costs and improve operating efficiencies. We expect other member systems to be added to the system in the future.

East River has reduced overall costs of this project by completing the design and procurement 'in-house' and will use existing personnel to begin installation in 1993 with completion in 1994. East River will also complete the legal work to secure radio frequency approvals from the Federal Communications Commission during 1993.

Metering Changes

The Dispatch, Metering/Relaying Department completed the evaluations of new electronic solid-state metering devices to replace the old magnetic tape meter recording systems now in use at East River's 187 distribution substations. The old magnetic tape recorders were first installed in 1978 and are becoming difficult to maintain due to age and availability of parts.

As a result of the tests and evaluations, East River has selected new solid state metering equipment which will be installed in about one-third or 55 of East River's distribution substations this year. This work will be done by East River personnel and completed over the next two years.

The operation of East River's load management system is also the responsibility of this department. About 85 megawatts or 20 percent of East River's system peak demand can be controlled in the winter months and about 15 percent in the summer months. Use of the load management system moderates peak electric demand and has enabled East River to avoid more than \$38 million in additional wholesale power costs since the system was put into use in 1984.



Above, from left: Everett Quam, Assistant General Manager for Operations; Mark Weismantel, Manager of Telecommunications and Control and Daryl Thorson, Manager of Engineering Services, check over the proposals for the voice radio system.

Below: Charles Winker, Installation and Maintenance Coordinator for the Telecommunications Department, tests some of the equipment for the new voice radio system.



System Maintenance

East River continues major emphasis on maintenance of its extensive transmission system. This maintenance schedule includes monthly substation inspections, quarterly flying patrol, annual walking patrol of the entire 2,500 mile system as well as regular checks of microwave and communications systems. Maintenance crews are also responsible for the follow-up pole replacement work as a result of the pole treatment and inspection program.

Maintenance of the East River system, covering about 36,000 square miles, is done by the Madison-based crew, a three-man crew in Aberdeen and two-man crews located at Onida, Huron, Milbank, Mitchell, Beresford and Marshall, Minnesota.

1993 has been an unusual year for storms, floods and weather related problems on the transmission system. On May 7, tornadoes and high winds passed through the Lyon-Lincoln area near Tyler and Marshall, Minnesota, damaging 16 transmission poles in those areas. Power was restored through an emergency interconnection with Northern States Power Company and East River crews spent a week in the area making repairs.

Again on June 7, tornadoes and damaging winds struck 6 transmission poles and other structures near Madison. East River crews worked through the night to restore power to the Lakeview and Chester Substations serving the Sioux Valley area.

Early in July, flood conditions along the Big Sioux River near Akron, Iowa, took out an H structure on the 69 kv line serving the city of Akron. East River crews used boats to make temporary repairs on the structure which was toppled a few hours later by the strong river current. Service to the City of Akron was supplied from other sources until the line could be temporarily repaired again on July 17 and 18 by East River crews using boats and pontoons.

East River strives to provide the best training and equipment for linemen to perform the many jobs required for transmission line maintenance. As part of this training, East River hosted the Tri-State Transmission Hot Stick School in Madison in May. This year 46 linemen from 10 transmission cooperatives, private utilities and municipal electric systems in four states participated in the school at East River's training field.



East River maintenance crews used boats and pontoons to make repairs on an East River 69 kv transmission line in the flooded Big Sioux River near Akron, Iowa.

Marketing

East River's coordinated marketing program is vital to maintaining a competitive position in the heating/cooling and water heating markets.

East River and its member systems continue a strong marketing program using cash incentives, low interest loans and off-peak electric rates to encourage consumers to use electricity for heating and cooling, water heating and crop drying.

The coordinated marketing program had another good year in 1992 with rebates being given on 1,793 water heaters during year. While the total water heater rebates was about the same as in previous years, the number of 'lifetime warranty' water heater installations increased by 40 percent in 1992.

The number of incentive requests for heating systems and crop drying applications increased by 30 percent last year to 1,058 installations. Despite the mild winter weather and cool summer, heat pump installations increased 13 percent over 1991. The number of electric crop drying systems grew rapidly late in 1992 due to the acceptance of natural air drying and the late, wet harvest conditions.

More than \$520,000 in direct rebates were paid to member systems in 1992 for these installations.



Members of the Communications Fund Committee, which includes managers and member services personnel from East River's member systems, meet regularly with representatives of the Lawrence and Schiller Agency to coordinate the Communications Fund advertising program. This program supports East River's marketing efforts as well as communicating electrical safety and cooperative information to member-consumers and the general public.

In addition to the rebate payments, 563 low-interest loans totaling \$1.6 million were made for heating/cooling and crop drying systems.

East River was also instrumental in the organization of the Prairie Heat Pump Association. This Association was officially formed in May as an inter-industry group of cooperative and investor-owned utilities and heat pump dealers and contractors. The purpose of the Association is "to promote the utilization of electric heat pumps through coordinated efforts of contractors and electric utilities in the region." The Prairie Heat Pump Association Board of Directors has hired Lyle Darnell of Carthage to coordinate the activities which includes education, training and promotional assistance to heat pump dealers.

Economic Development

Economic development activities continue at an active pace in the East River area.

The South Dakota Micro-Business Marketing Alliance is growing and expanding its marketing services throughout the State. The Alliance, headquartered in Wessington Springs, has fourteen members in South Dakota. This past year, the Alliance provided development assistance to about 300 persons in such specialized areas such as packaging and marketing, sales material, supplies, product quality improvement, taxes and government regulations and resource materials.

East River played a key role in assisting the Alliance with a grant application to the US West Foundation. The grant of \$200,000 was received in May and will be an important asset to expand the Alliance program to serve more individuals and small businesses in South Dakota.

East River has also been actively involved in assisting member systems with applications for zero-interest loans through the Rural Electrification Administration's rural economic development loan program.

Zero-interest loans have been approved for Oahe Electric Cooperative to assist the city of Onida rebuild several businesses following a major fire and Kingsbury Electric Cooperative, DeSmet, to assist with expansion of an existing building for lease to a new manufacturing business that will create over 20 jobs in the area. East River's application for a loan to assist the city of Wessington Springs' Fire Disaster Assistance Fund was approved in July and will assist Wessington Springs with economic recover efforts following a major fire last winter which destroyed several main street businesses.

East River has assisted with applications submitted by Traverse Electric Cooperative to establish an on-farm milk bottling business and FEM Electric Cooperative for expansion of medical facilities at Bowdle, South Dakota.

Treasurer's Report

During 1992 a number of significant fiscal accomplishments combined to further strengthen East River's financial performance.

Advance of REA Loan Funds/Contract Extensions

East River submitted what is known as the U-6 loan application to the Rural Electrification Administration (REA) in August, 1990, to provide financing for 1991 and 1992 construction projects. After considerable delays, the loan was approved in January, 1993, subject to several qualifying requirements. Recognizing that East River and its members had met all loan requirements, the REA advanced the first portion of U-6 loan funds in April, 1993.

Future Financing

In October, 1992, a new loan application was filed with the REA requesting \$4.5 million to provide long term financing for East River's three year construction work plan from 1993 through 1995. Official action by REA is pending on this loan.

This year East River also began installing a replacement voice radio system. This type of utility property does not qualify for REA financing; therefore, in June 1993, East River applied to the National Rural Utilities Cooperative Finance Corporation (CFC) requesting a loan for this project. This loan is pending approval and will require a shared lien between REA and



Robert Ching, Treasurer

CFC on East River's mortgaged property.

Financial Performance

In 1992 East River continued its strong record of financial performance. Total margins were \$1,572,000 greater than was budgeted. This amount was deposited in the Margin Stabilization Fund for use in future years.

East River's 1992 operating statement and balance sheet are shown on the following pages of this report. Annual revenues of \$57.2 million compared with total expenses of \$56.5 million result in positive financial performance indicators. The 1992 Times Interest Earned Ratio (TIER) of 1.7 is well above REA

minimum requirements and compares favorably with previous years.

The Debt Service Coverage (DSC) ratio measures East River's ability to meet operating expenses and satisfy principal and interest payments. The 1992 DSC of 1.5 again is well above prescribed REA minimums. The balance sheet reveals the Cooperative's current equity of 24.1 percent. By achieving an equity level above 20 percent, East River was able to avoid member system loan guarantees as part of the U-6 REA loan mentioned earlier.

Financial Control

The 1992 financial audit was conducted by Eide Helmeke and Company. The auditors found that the financial statements of the Cooperative present fairly the financial position of the Cooperative and the results of its operations and cash flows for 1992 were in conformity with generally accepted accounting principles.

Depreciation Study

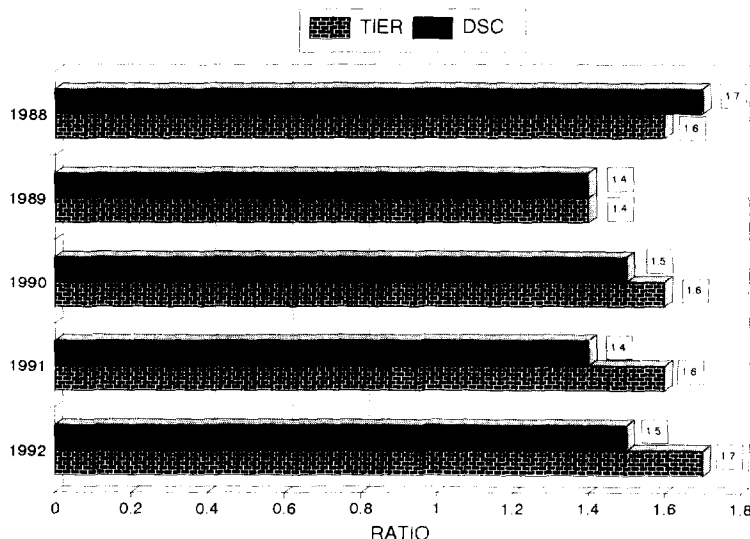
During 1993 Eide Helmeke and Company updated the existing depreciation study. The results of this review indicate existing depreciation charges generally are adequate and reasonably aligned with expected plant lives. An application has been filed with the REA to continue East River's usage of the depreciation rates as indicated by the study.

Summary

In addition to these notable highlights, East River continues to exercise sound fiscal policy and controls. Detailed budgets and long term financial forecasts are prepared by management and carefully reviewed by the Board of Directors each year. The Audit Committee comprised of the Treasurer and Board members who serve on a rotating basis also review transactions of the Cooperative monthly.

In all measures, East River has continued its strong and consistent financial performance through 1992. East River members can be proud of their commitment to develop and support a power supply system with a good financial position while maintaining stable and predictable rate levels.

TIER & DSC



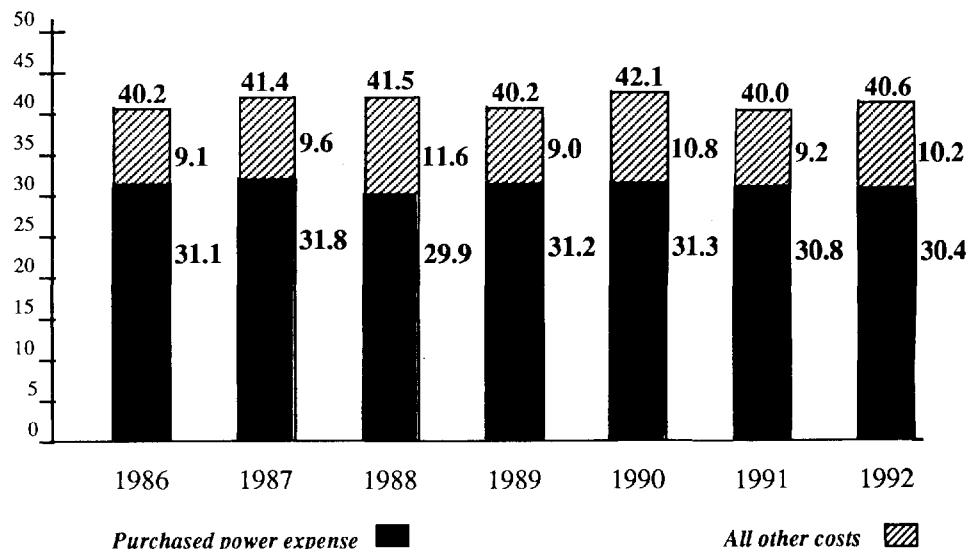
Assets

	1992	1991
UTILITY PLANT		
Electric Plant in Service	\$100,999,858	\$ 99,601,158
Construction Work in Progress	1,320,178	1,103,244
	<u>102,320,036</u>	<u>100,704,402</u>
Less Depreciation	36,414,566	34,273,848
NET UTILITY PLANT	\$ 65,905,470	\$ 66,430,554
INVESTMENTS AND OTHER PROPERTY		
Non Utility Property (Net)	24,764	25,924
Investments in Associated Enterprises	18,803,589	16,711,232
Other Investments	98,471	107,009
Note Receivable from Basin Electric Power Coop	— 0 —	353,527
Special Funds	3,369,646	3,489,670
CURRENT ASSETS		
Cash — General and Operating Funds	284,688	693,533
Temporary Cash Investments	2,255,928	1,262,260
Accounts Receivable — Consumers	5,678,164	5,752,804
Accounts Receivable — Others	76,108	136,929
Material and Supplies	3,682,524	3,742,570
Prepayments — Insurance and Other	329,282	325,652
DEFERRED CHARGES		
Deferred Debits	10,887,213	11,610,174
TOTAL ASSETS AND OTHER DEBITS	\$ 111,395,847	\$ 110,641,838

*Revenue Required from Members
Mills/kWh sold*

Purchased power represents East River's single largest expense category.

Over 74 percent of East River's total costs in 1992 were for purchased power from the Western Area Power Administration and Basin Electric Power Cooperative.



Liabilities

1992 1991

MEMBER AND PATRON EQUITIES

Membership Fees	\$ 2,600	\$ 2,600
Patronage Capital	26,848,262	25,575,971
Other Equities	— 0 —	— 0 —

TOTAL MEMBER AND PATRON EQUITIES	\$ 26,850,862	\$ 25,578,571
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LONG TERM DEBT

REA Mortgage Notes	\$ 47,719,937	\$ 49,401,172
National Rural Utilities Coop. Finance Corp. Notes	4,085,298	4,131,138
Federal Financing Bank	12,189,712	12,348,726
Heartland Consumers Power District	7,699,437	7,839,676
NRECA — Pension Plan	935,327	935,327

TOTAL LONG TERM DEBT	\$ 72,629,711	\$ 74,656,039
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CURRENT LIABILITIES

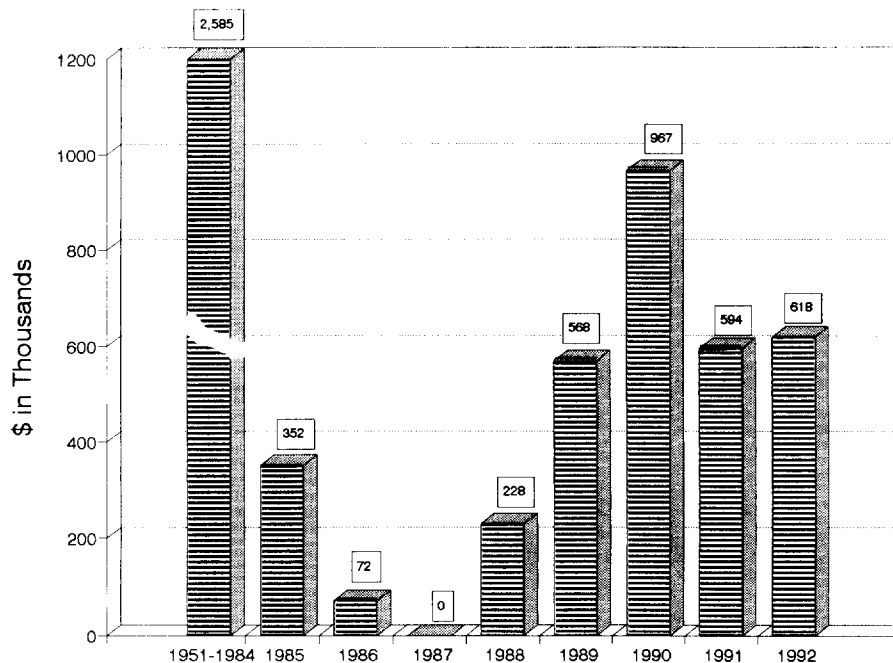
Accounts Payable	\$ 5,123,672	\$ 4,986,737
Accrued Taxes	1,387,556	1,483,548
Other Current Liabilities	2,003,799	414,436

TOTAL CURRENT LIABILITIES	\$ 8,515,027	\$ 6,884,721
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DEFERRED CREDITS

Deferred Credits	\$ 3,400,247	\$ 3,522,507
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TOTAL LIABILITIES AND OTHER CREDITS	\$ 111,395,847	\$ 110,641,838
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Capital Credit Retirement

This table shows the history of East River capital credit retirements to member systems.

This return of capital to members upholds the principle of the cooperative entity. East River is currently at a 16 year capital credit rotation.